



# UNDER REVIEW

**SOME COMPANIES ARE TURNING THEIR BACKS ON ANNUAL REVIEWS.  
HOW IS THIS CHANGING THE PROCESS OF PERFORMANCE MANAGEMENT?**

**IN YEARS GONE BY**, employees would find themselves having to go through the process of the annual performance appraisal review; a rather awkward situation where their overall contribution would be assessed and a few goals set by a line manager, before the accompanying documentation was filed away, only to see the light of day in 12 months' time.

"There has been a massive change from traditional performance appraisal systems to new strategic performance management aspects, and these are some of the words that academics and companies are using to distinguish between the two styles now," says Charmi Patel, Associate Professor in International Human Resource Management at **Henley Business School**.

The move has picked up pace since 2015, she says, largely on the back of changes in the work environment. **GE** has famously abandoned its annual performance management reviews, while more modern businesses such as **Google** and **Apple** have never deployed such a system. "We're not in that era where there is a war on talent; we're in an era where we need to keep talent," adds Patel. "Things are very different now."

## **NEW PROCESSES**

Carol Atkinson, Professor of Human Resources Management at **Manchester Metropolitan University Business School**, says the tide has been turning against such annual appraisals since the 1990s. "The driving factor was that we started moving towards very fast-changing, dynamic and competitive workplaces where we needed employees to perform as best they could," she says. "Prior to that, we'd been content with people doing an OK job and then going home."

In its place, many organisations are turning to ongoing performance management, based on the concept of coaching, which has also overhauled how many organisations approach training and development. "The analogy I would use is that a top-flight athlete always has a coach, no matter how good they are," says Atkinson. "Good performance management will provide that goal-setting, support, development and feedback to help people improve. The business case is helping people to perform better, and helping to drive performance in a way that the organisation needs them to go. It can be very motivational to be praised and to know you're doing well, and that drives positive attitudes like

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engagement or commitment, which again feeds into better performance.”

Matthew Brodrick is a Partner for EY’s Japan Financial Services business. He says that the company have long been believers in giving feedback at the point it is needed, rather than months down the line. “We find a well chosen word or two at the time saves complications later,” he explains. “This works for feedback across the performance spectrum. Either the team member feels undervalued following a good piece of work, or mistakes are not corrected before they lead to bigger issues.”

According to Patel, the emphasis with performance consulting is very much around future progress. “In the old set-up, you would meet to set out the rules, you would have the performance rating systems and you’d have feedback where you sit with the person and talk it out,” she adds. “This completely changes the process. You do have a starting point about the goals of the company and the individual, and why the individual is generally hired. Then, in the middle, instead of ratings, you sit down three or four times a year to consult and coach the employee to achieve those goals. It’s more about finding the resources for the employee so they can then figure out the process themselves, which is what coaching is about.”

Nevertheless, Jo Harley, Managing Director of employee engagement firm **Purple Cubed**, believes that having a more formal, once-a-year review is still important.

“There are conversations about removing or banning these beneficial meetings in favour of more regular performance conversations,” Harley says. “Of course, it’s important to discuss performance and progress frequently and objectively, to evolve the individual, team and organisation. However, by its very nature, a more regular discussion will inevitably focus on the day-to-day, no matter how skilled the manager is in the art of talent conversation.

“What will be lost is the vital opportunity to have a big picture one-to-one looking at the individual’s

ambitions and career plans in the context of the organisation’s goals and plans. Rather than scrap one in favour of the other, we champion a combination of ongoing dialogue backed up with once or twice a year formal career-planning conversations which are rich in talk about goals, learning needs and support mechanisms.”

Patel, however, sounds a word of caution, pointing out that employers could risk substituting an annual performance appraisal for a more regular one if they do not adopt the right approach. “Some line managers don’t do performance ratings but meet more frequently. This doesn’t help, because to meet more frequently and ditch all performance rating systems, you need a more structured agenda that is more developmental,” she says. “You need to do something better with your employees. Just meeting more often actually has the same effect as the rating systems.”

And putting the right system in place isn’t the only risk, Brodrick warns. He says any new system must be sure to capture good performance for all staff, not just those who seek confirmation of their achievements. “A less rigid annual system could be seen to be fairer, but might favour the loud over the diligent,” he says. “In the background of many corporates is the quiet ‘engine room’. From factories to call centres to consultancies, they contain staff who reliably carry out their duties without fuss, year in, year out. They may not be so political as to shout their achievements from the rooftops on a regular basis, but companies ignore them at their peril.”

Furthermore, Brodrick emphasises the importance of a more classic review structure to discuss longer-term issues such as pay rises and overall company performance. “As humans, we also like process and structure, and companies still revolve around an annual cycle where, once a year, everyone from shareholders and directors to employees and other stakeholders take pause for breath on what has been achieved. I don’t see that cycle changing.” ▶



#### ► TARGETS INSIGHT

Jonny Gifford is Advisor for Organisational Behaviour at the **Chartered Institute of Personnel and Development**, and author of the recent report *Could do better? Assessing what works in performance management*. He says both goal setting and feedback are vital parts of performance management and he warns against downgrading or removing them.

“We all know from experience that this can be done in a way that’s really motivating or really demotivating,” Gifford states. “We need to have the right kinds of conversations with our staff. There are two things in particular which recent research shows can help. One is following a coaching style; in other words, encouraging reflective learning with insights led by the employee, not the manager. Another is focusing on building on strengths, rather than fixing weaknesses.”

The most important element for employers to get right is to ensure everyone knows the rationale behind any meeting, says Jenny Goulding, Director of **Agile HR Consulting**. “There is regularly a misconception over why a performance review, catch-up or appraisal takes place,” she says. “Performance review is about ensuring that an employee is motivated because he or she knows what the company expects, aspires to and considers as a success. The employee can then ensure that his or her efforts are in line with this aspiration.” The professional services sector is one of the early

ones to adopt this approach, she says, but this is also starting to move into other sectors.

The use of technology is also helping the concept of continuous performance review to take off. Most organisations now use live supported platforms to help manage goals and monitor performance, with larger businesses developing their own bespoke packages. These can be complemented by broader 360-degree feedback systems, which can source feedback from a range of parties, including line managers, suppliers, customers and sometimes even peers. “These collate that information and provide it almost as an expert report, showing strengths and areas for improvement,” says Atkinson. “They tend to be competency- rather than results-based, and should be used for developmental purposes.” Take-up levels, though, are not strong; only around one in three organisations currently offer this.

#### MOBILE OPERATIONS

Apps are also creating another means of providing feedback to employees, although these are still in their infancy. “In principle, performance feedback apps should work well,” says Gifford. “But different types of targets work well for different types of work. In particular, targets that are specific and stretching drive performance in jobs that are straightforward and predictable. But they don’t work well for jobs that are complex, unpredictable or that involve a number of stages or decisions based on analysis of data or information.”

Patel, meanwhile, says she is seeing companies adopting a mixture of methods, with some looking to build conversations around performance through apps. “In call centres of business process outsourcing companies, where client feedback is important, a lot of companies have some very sophisticated in-built apps which show how the employee has spoken to the client, how the client has responded and so on,” she states. “It’s very company-dependent, but apps can certainly help to facilitate the conversation.”

Nevertheless, there are some wider practical concerns over how well equipped organisations are to adopt performance management as a concept. “I don’t know what percentage of current employees actually have goals that are listed, or how many businesses have leaders who are trained to do these kinds of internal assessments and to measure the degree to which employees feel those goals are effective and motivating,” says Patel. “That’s the biggest challenge for performance management right now.” ■